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COST OF DOING BUSINESS SURVEY 1986

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COST OF DOING BUSINESS SURVEY

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Prepared by —
Eugene K. Ogier and
Joyce McCorkle

Browne, Bortz & Coddington, Inc.
155 South Madison Street
Denver, Colorado 80209

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A REVIEW OF 1986

There were 459 respondents to the 1986 *Cost of Doing Business Survey*, a decrease of 54 from the last year's record number. Respondents decreased in all but two regions — the Southeast (Region 3) and Canada (Region 10). A comparison of the replies by region for the last three years is shown in Table V-3, pages 26 and 27.

The average total revenue for all respondents was $1,305,794 in 1986, compared to $1,174,684 in 1985. The distribution of respondents by revenue groups for the last three years was:

	Number of Respondents		
Revenue Group	1986	1985	1984
0 to $200,000	49	69	62
$200,001 to $500,000	153	177	131
$500,001 to $1 million	108	121	92
$1 million to $2½ million	96	91	59
$2½ million to $5 million	29	33	20
Over $5 million	24	22	12
Total Respondents	459	513	376

Figures 1 and 2 show sources of revenues and expenses for all respondents. Figures 3 and 4 present the ratio of operating profit to gross operating profit for 1984-1986 by size and for 1983-1986 by source of revenue and type of equipment rented.

Profitability

The profitability of rental firms in 1986 dropped slightly from 1985. Return on investment, before taxes, decreased to 20 percent from 20.2 percent in 1985. Pretax return on total assets was 8.9 percent in 1986 compared to 9.3 percent in 1985. Pretax return on revenues dropped slightly to 6.4 percent in 1986 from 6.5 percent in 1985.

Profitability related to size of firm. Average net income before taxes decreased in 1986 in all size categories except the $2½ million to $5 million category. The following table compares these averages for the last three years:

Size of Firm	Average Pretax Earnings		
(Revenues)	1986	1985	1984
0 to $200,000	$ 2,760	$ 2,840	$ 6,140
$200,001-$500,000	21,190	24,560	29,110
$500,001-$1 million	42,840	47,930	57,980
$1 million-$2½ million	99,710	101,800	136,060
$2½ million-$5 million	209,470	184,770	286,520
Over $5 million	620,090	622,090	544,390
All Respondents	$ 83,950	$ 76,780	$ 79,300

Return on investment was highest for the larger firms — 23.9 percent. Return on total assets also was highest in the largest sized firms (9.7 percent) followed closely by the firms in the $200,001 to $500,000 size category (9.2 percent).

Profitability related to source of revenues. Return on investment was higher for the firms having more than 70 percent of revenues from rentals, at 20.3 percent, compared to 19.3 percent for those deriving less than 70 percent from rentals. The highest return on investment in the rental-oriented firms was recorded by those firms with more than $5 million in total revenues, a return of 29.5 percent. Of the sales-oriented firms, the highest return on investment was from those firms in the $500,001 to $1 million revenue size at 29.8 percent. All other sized firms in both categories were well below these rates of return.

Profitability related to type of equipment rented. Return on investment (ROI) increased for the general rental respondents from 16.3 percent in 1985 to 18.9 percent in 1986. Medical-party respondents' ROI dropped sharply in 1986 to 17.5 percent from 24.9 percent in 1985, while construction and industrial firms' ROI declined from 21.4 percent in 1985 to 20.3 percent in 1986.

Profitability related to regions. Firms in five regions registered an improvement in return on investment (ROI) over 1985. These were the Northeast, Region 1; the Eastern, Region 2; Great Lakes, Region 5; Midwest, Region 6; and Canada, Region 10. The most dramatic increase was in the Midwest, with a 56.8 percent relative increase. The Northeast region had a substantial relative increase of 34.1 percent. Canada continues to show the highest ROI at 39.4 percent. The largest relative decrease was in the Northwest (Region 8) a 48.6 percent decrease from 7.4 percent ROI in 1985 to a 3.8 percent ROI in 1986; the lowest regional ROI recorded. Region 4, the Southwest, also recorded a large relative decrease.

Expenses

Labor costs (salaries, wages and benefits) rose again in 1986 to 38.3 percent of gross operating profit compared to 37.3 percent in 1985 and 37.1 percent in 1984. Insurance also increased substantially to 4.5 percent of gross operating profit in 1986, compared to 3.2 percent in 1985 and 2.7 percent in 1984. Decreases were recorded in depreciation, equipment maintenance and repair, and shop supplies and expense as percentages of gross operating profit in 1986 compared to 1985.

Interest costs remained the same as in 1985, while occupany costs increased slightly over 1985. The highest labor costs as a percent of gross operating profit were in firms in the $1 million to $2.5 million revenue category at 40.3 percent, followed closely by the $500,001 to $1 million revenue category at 39.7 percent.

Firms deriving less than 70 percent of their revenue from rentals have the highest percent of labor costs, as a percent of gross operating profit, at 41 percent compared to the 36.8 percent for firms deriving more than 70 percent of their revenue from rentals. Medical-party firms had the highest labor costs as a percent of gross operating profit in 1986 at 46.8 percent, far ahead of the 38.7 percent for general rental firms and the 37.7 percent for construction and individual firms. Regionally, the Northwest had the highest labor costs as a percent of gross operating profit at 42.4 percent. The lowest percent was in the Eastern region at 34 percent.

Financial Condition

The net worth of all respondents decreased from 46.2 percent of total assets in 1985 to 44.7 percent in 1986. The current ratio was 1.34 to one in 1986, remaining steady when compared to the 1.35 to one in 1985. The acid test ratio also remained almost the same (.76 to one) in 1986 in comparison with 1985 (.79 to one). Average collection days for accounts receivable rose to 39 days in 1986, an increase of two days over the previous two years. Sales-oriented firms showed an increase from 37 days in 1985 to 42 days in 1986 while rental-oriented firms stayed the same at 36. The leverage ratio of total liabilities to net worth increased from 1.16 to one in 1985 to 1.24 to one in 1986. As a percentage of total assets, inventories increased substantially in 1986 to 13.5 percent from 10.9 percent in 1985.

Definitions of all ratios are shown in the table of financial data for all respondents on page 4.

Other Financial Indicators

Rental revenues to net rental investment (after accumulated depreciation) increased slightly from 1.90 times in 1985 to 1.92 times in 1986; and rental revenues to equipment cost increased from .83 times in 1985 to .88 times in 1986.

Cost of sales as a percentage of merchandise and equipment sales rose from 76.5 percent in 1985 to 77.2 percent in 1986.

Other information

Explanations of some of the major classifications of income, expense and balance sheet items are shown on page 29. The California Rental Association assisted in the survey again this year through a special mailing to its members.

FIGURE 1. SOURCES OF REVENUE, 459 RESPONDENTS, 1986

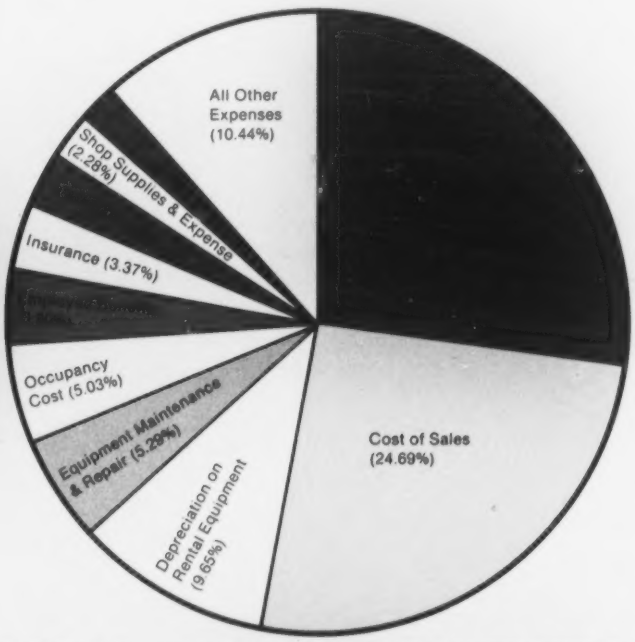

All Other Expenses (10.44%)
Shop Supplies & Expense (2.28%)
Insurance (3.37%)
Occupancy Cost (5.03%)
Equipment Maintenance & Repair (5.29%)
Depreciation on Rental Equipment (9.65%)
Cost of Sales (24.69%)

FIGURE 2. MAJOR EXPENSE CATEGORIES, 459 RESPONDENTS, 1986

FIGURE 3. RATIO OF OPERATING PROFIT TO GROSS OPERATING PROFIT BY REVENUE CATEGORY, 1984-1986

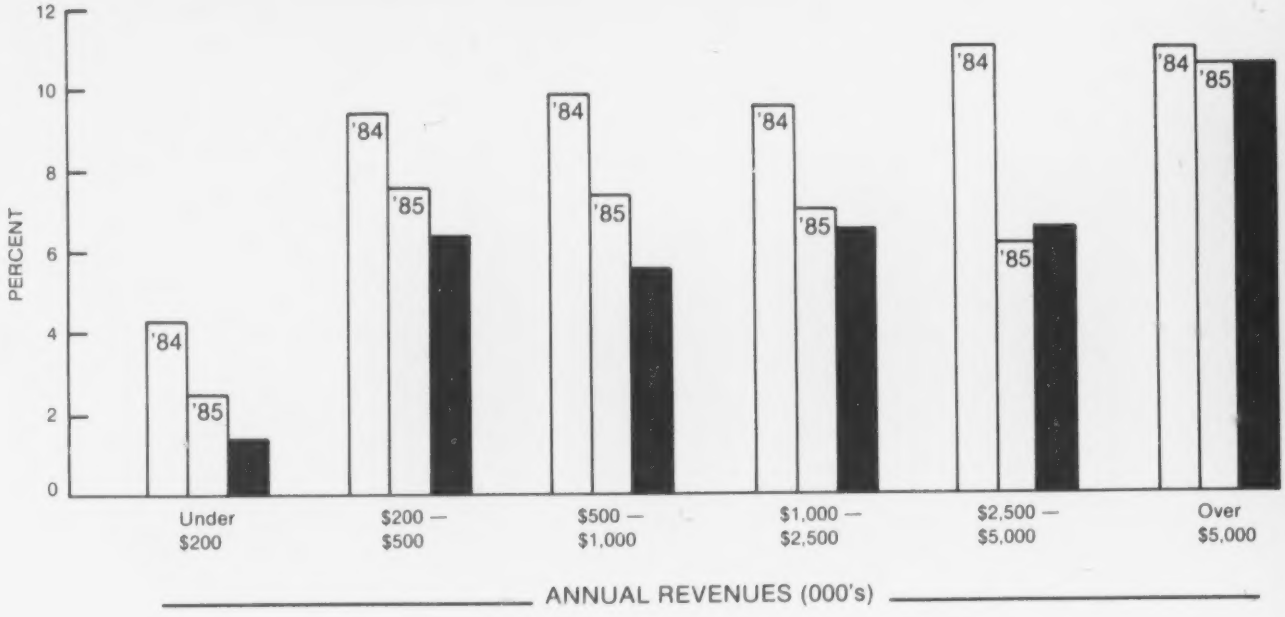
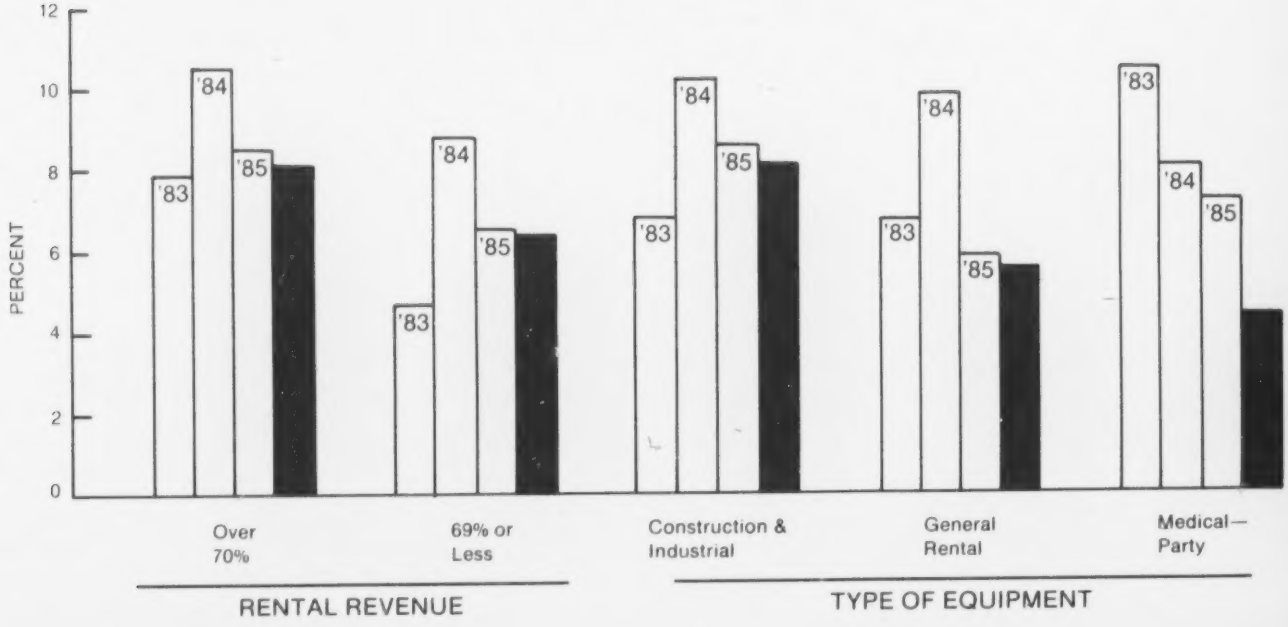


FIGURE 4. RATIO OF OPERATING PROFIT TO GROSS OPERATING PROFIT BY SOURCE OF REVENUE AND TYPE OF EQUIPMENT RENTED, 1983-1986



SECTION I. FINANCIAL DATA FOR ALL RESPONDENTS

The 459 responding firms had average revenues of $1,305,794 up eleven percent from the $1,174,684 reported in 1985.

Key financial ratios for 1986 and three prior years are shown below.

FINANCIAL RATIOS	1986	1985	1984	1983
CURRENT RATIO (current assets ÷ current liabilities)	1.34	1.35	1.43	1.42
ACID TEST RATIO (cash, marketable securities and accounts receivable ÷ current liabilities)	.76	.79	.89	.89
TOTAL DEBT TO NET WORTH (total liabilities ÷ net worth)	1.24	1.16	1.12	1.03
RETURN ON INVESTMENT (net income before taxes ÷ net worth)	20.0%	20.2%	24.5%	17.9%
RETURN ON TOTAL ASSETS (net income before taxes ÷ total assets)	8.9%	9.3%	11.5%	8.8%
RETURN ON REVENUES (net income before taxes ÷ revenues)	6.4%	6.5%	8.1%	6.4%
AVERAGE COLLECTION PERIOD (accounts receivable ÷ average daily revenues)	39 days	37 days	37 days	35 days
PROFITS ON RENTAL INVESTMENT (net income before taxes ÷ net rental equipment)	19.7%	19.8%	25.0%	19.3%
TOTAL REVENUES TO RENTAL INVESTMENT (total revenues ÷ net rental equipment)	3.06 times	3.03 times	3.08 times	3.03 times
RENTAL REVENUES TO RENTAL INVESTMENT (rental income ÷ net rental equipment)	1.92 times	1.90 times	2.03 times	2.09 times
RENTAL REVENUES TO EQUIPMENT COST (rental income ÷ cost of rental equipment)	.88 times	.83 times	.88 times	.83 times

Shown below is a table containing the ratio of major expenses and net operating profit to gross operating profit for all respondents:

PERCENTS OF GROSS OPERATING PROFIT:				
Salaries & Wages	33.1%	32.6%	32.6%	33.7%
Employee Benefits	5.2	4.7	4.5	4.5
TOTAL	38.3	37.3	37.1	38.2
Depreciation (All)	15.0	15.3	14.3	15.3
Occupancy Cost	6.7	6.3	6.8	6.7
Equipment Maintenance & Repair	7.0	8.1	8.3	8.0
Interest	3.8	3.8	3.9	4.0
Advertising & Promotion	2.5	2.4	2.6	2.8
Insurance	4.5	3.2	2.7	2.8
Shop Supplies & Expense	3.0	3.8	2.9	2.9
OPERATING PROFIT	7.5	7.8	9.9	7.0

Table I-1 reports income and expense percentages on an aggregated basis for all firms responding in 1982 through 1986. Table I-2 contains more detail on expenses, and Table I-3 presents balance sheets percentages for the five years.

TABLE I-1. SUMMARY OF INCOME AND EXPENSE, ALL RESPONDENTS

Income & Expense Categories	1986 Percent of Total Income	1985 Percent of Total Income	1984 Percent of Total Income	1983 Percent of Total Income	1982 Percent of Total Income	Insert Your Own Percents Here
Rental Income	62.75	62.76	65.83	68.96	65.49	
Merchandise & Equipment Sales	31.97	30.76	28.42	25.44	27.75	
Other Operating Income	5.29	6.48	5.75	5.60	6.77	
Total Operating Income	100.00	100.00	100.00	100.00	100.00	
Less Cost of Sales	24.69	23.54	21.44	19.72	20.70	
Gross Operating Profit	75.31	76.46	78.56	80.28	79.30	
OPERATING EXPENSES:						
Salaries & Wages	24.96	24.91	25.63	27.08	27.66	
Employee Benefits & Taxes	3.90	3.60	3.55	3.64	3.78	
Equipment Maintenance & Repair	5.29	6.18	6.55	6.42	5.97	
Shop Supplies & Expense	2.28	2.94	2.28	2.32	3.10	
Occupancy Cost	5.03	4.78	5.34	5.39	5.30	
Bad Debts Expense	0.90	0.89	1.05	0.79	0.82	
Office Supplies & Expenses	0.97	1.10	1.07	1.16	1.14	
Associations & Travel Expense	0.63	0.68	0.70	0.68	0.62	
Legal & Accounting	0.87	0.73	0.80	0.77	0.84	
Telephone & Other Communications	0.82	0.85	0.83	0.96	0.93	
Automobile & Truck Expense	1.60	1.60	1.68	1.84	2.08	
Insurance	3.37	2.47	2.09	2.25	2.61	
Advertising & Promotion	1.94	1.86	2.02	2.21	2.14	
Other Taxes	1.07	0.99	0.96	1.08	1.02	
Interest	2.83	2.90	3.03	3.25	4.12	
Franchise Fees	0.09	0.06	0.27	0.30	0.30	
Depreciation, Non-Rental Equipment	1.62	1.64	1.55	1.74	1.66	
Other Operating Expenses	1.87	2.25	1.65	2.22	2.09	
TOTAL OPERATING EXPENSES	60.03	60.41	61.05	64.10	66.17	
Operating Profit Before Rental Depr.	15.27	16.05	17.51	16.17	13.13	
Depreciation on Rental Equipment	9.65	10.09	9.70	10.52	10.02	
OPERATING PROFIT	5.62	5.95	7.82	5.65	3.11	
Other Income & Expense (Net)	0.81	0.58	0.31	0.72	0.74	
NET INCOME BEFORE INCOME TAXES	6.43	6.54	8.13	6.37	3.85	
NUMBER OF RESPONDENTS	459	513	376	363	381	

NOTE: Due to rounding, percentages may not add to the one-hundredth of a percent.

TABLE I-2. EXPENSES AS A PERCENT OF GROSS OPERATING PROFIT

EXPENSE CATEGORES	1986	1985	1984	1983	1982	Insert Your Own Percents Here
GROSS OPERATING PROFITS	100.00	100.00	100.00	100.00	100.00	_____
EXPENSES:						
Salaries & Wages	33.15	32.58	32.63	33.74	34.88	_____
Employee Benefits & Taxes	5.18	4.71	4.52	4.53	4.76	_____
Equipment Maintenance & Repair	7.02	8.09	8.33	7.99	7.53	_____
Shop Supplies & Expense	3.02	3.84	2.90	2.89	3.91	_____
Occupancy Cost	6.68	6.25	6.80	6.72	6.68	_____
Bad Debt Expense	1.19	1.16	1.33	.98	1.04	_____
Office Supplies & Expense	1.28	1.44	1.37	1.45	1.43	_____
Association & Travel Expense	.83	.89	.89	.85	.78	_____
Legal & Accounting	1.16	.95	1.02	.95	1.06	_____
Telephone & Other Communications	1.09	1.11	1.06	1.19	1.17	_____
Automobile & Truck Expense	2.13	2.09	2.14	2.29	2.62	_____
Insurance	4.48	3.23	2.66	2.81	3.30	_____
Advertising & Promotion	2.57	2.44	2.57	2.76	2.70	_____
Other Taxes	1.42	1.29	1.22	1.34	1.28	_____
Interest	3.76	3.79	3.86	4.05	5.19	_____
Franchise Fees	.12	.07	.34	.38	.37	_____
Depreciation, Non-Rental Equipment	2.15	2.14	1.97	2.17	2.09	_____
Other Operating Expenses	2.49	2.94	2.10	2.76	2.64	_____
Depreciation on Rental Equipment	12.82	13.20	12.34	13.10	12.63	_____
OPERATING PROFIT	7.46	7.79	9.95	7.04	3.92	_____

TABLE I-3. SUMMARY OF BALANCE SHEETS, ALL RESPONDENTS

	1986 Percents	1985 Percents	1984 Percents	1983 Percents	1982 Percents	Insert Your Own Percents Here
CURRENT ASSETS:						
Cash	6.23	5.68	7.68	8.09	6.16	_____
Accounts Receivable (Net)	14.75	14.41	14.27	13.05	11.92	_____
Merchandise Inventories	13.46	10.92	9.94	9.91	12.14	_____
Marketable Securities	1.23	0.90	0.69	0.87	1.14	_____
Prepaid Expenses	1.34	1.61	1.20	1.25	1.65	_____
Supplies Inventory	0.43	0.44	0.35	0.24	0.43	_____
Other Current Assets	1.72	2.20	2.10	1.65	1.55	_____
Total Current Assets	39.16	36.16	36.23	35.06	35.00	_____
Rental Equipment—Net Book Value	45.48	47.12	46.11	45.58	44.15	_____
Other Fixed Assets—Net Book Value	12.38	13.81	14.52	15.73	16.43	_____
Total Fixed Assets	57.86	60.93	60.64	61.31	60.58	_____
Other Assets	2.98	2.91	3.13	3.64	4.42	_____
TOTAL ASSETS	100.00	100.00	100.00	100.00	100.00	_____
CURRENT LIABILITIES:						
Accounts Payable	7.51	6.87	7.49	6.70	6.02	_____
Current Notes Payable	14.52	13.66	11.54	10.35	12.34	_____
Contracts Payable	2.26	1.09	1.05	1.98	1.10	_____
Customers' Rental Deposits	0.23	0.22	0.18	0.30	0.28	_____
Accrued Expenses	2.06	1.95	2.43	2.68	2.28	_____
Taxes Payable	1.48	1.55	1.49	1.56	1.20	_____
Other Current Liabilities	1.16	1.38	1.16	1.09	1.39	_____
Total Current Liabilities	29.22	26.73	25.34	24.66	24.62	_____
Long-Term Debt	23.23	24.78	24.65	23.62	26.55	_____
Other Liabilities	2.83	2.26	2.85	2.47	2.31	_____
Total Liabilities	55.28	53.78	52.84	50.74	53.49	_____
Net Worth	44.72	46.22	47.16	49.26	46.51	_____
TOTAL LIABILITIES & NET WORTH	100.00	100.00	100.00	100.00	100.00	_____
NUMBER OF RESPONDENTS	459	513	376	363	381	

Note: Due to rounding, percentages in this and other tables may not add to the one-hundredth of a percent.

SECTION II. FINANCIAL DATA RELATED TO SIZE OF FIRM

Tables II-1 through II-3 present average income and expense, average balance sheet, and financial ratios for 1984-1986 for rental firms in six size categories. Figure II-1 below contains return on investment for firms in each size category for 1982 through 1986. Information for 1982 for the three largest size categories is not available.

Legend (Annual Revenue)

$ 000—$200,000	———
$200,001—$500,000	. . . . .
$500,001—$1 Million	— · — · — · —
$1 Million—$2.5 Million	- - - - - - -
$2.5 Million—$5 Million	═══
Over $5 Million	x x x x x x x x x x x x

FIGURE II-1. RETURN ON INVESTMENT BY SIZE OF FIRM, 1982-1986.

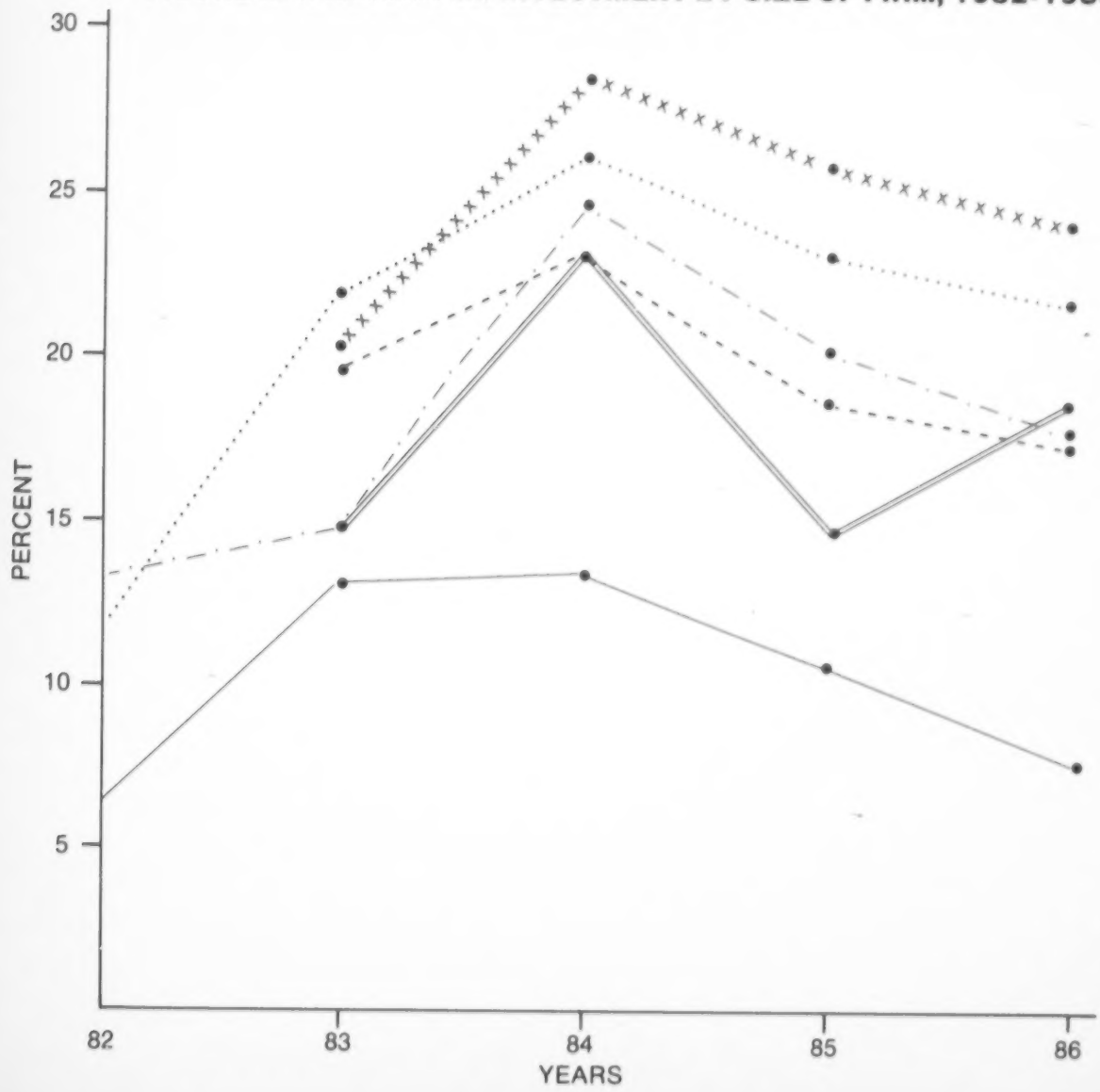


TABLE II-1. AVERAGE INCOME AND EXPENSE BY ANNUAL REVENUE, 1986

	$000—$200,000		$200,001—$500,000		$500,001—1 Mill.		$1 Mill.—2.5 Mill.		$2.5 Mill.—5 Mill.		Over $5 Mill.	
	Dollars	Percents	Dollars	Percents	Dollars	Percents	Dollars	Percents	Dollars	Percents	Dollars	Percents
Rental Income	109,036	79.39	259,653	78.05	512,522	73.47	1,104,806	70.14	2,232,600	65.03	4,369,250	48.64
Merchandise & Equipment Sales	22,398	16.31	54,247	16.31	150,380	21.55	382,627	24.29	950,728	27.69	4,235,426	47.15
Other Operating Income	5,908	4.30	18,785	5.65	34,703	4.97	87,755	5.57	249,937	7.28	378,953	4.22
Total Operating Income	137,340	100.00	332,686	100.00	697,585	100.00	1,575,189	100.00	3,433,265	100.00	8,983,629	100.00
Less Cost of Sales	15,809	11.51	37,901	11.39	101,387	14.53	286,379	18.18	729,357	21.24	3,410,086	37.96
Gross Operating Profit	121,532	88.49	294,785	88.61	596,198	85.47	1,288,810	81.82	2,703,908	78.76	5,573,543	62.04
OPERATING EXPENSES:												
Salaries & Wages	33,773	24.59	93,806	28.20	208,570	29.90	443,490	28.15	863,668	25.16	1,810,566	20.15
Employee Benefits & Taxes	3,869	2.82	13,265	3.99	28,108	4.03	76,088	4.83	166,286	4.84	250,118	2.78
Equipment Maintenance & Repair	7,465	5.44	20,391	6.13	39,663	5.69	92,845	5.89	215,100	6.27	365,044	4.06
Shop Supplies & Expense	4,374	3.18	11,882	3.57	20,284	2.91	42,066	2.67	80,257	2.34	127,692	1.42
Occupancy Cost	13,872	10.10	24,457	7.35	45,470	6.52	84,444	5.36	154,384	4.50	342,721	3.81
Bad Debts Expense	679	0.49	1,774	0.53	4,675	0.67	13,634	0.87	42,101	1.23	84,979	0.95
Office Supplies & Expenses	2,499	1.82	4,191	1.26	7,741	1.11	17,633	1.12	31,441	0.92	65,963	0.73
Associations & Travel Expense	1,200	0.87	2,983	0.90	5,212	0.75	8,849	0.56	24,235	0.71	46,689	0.52
Legal & Accounting	1,576	1.15	3,406	1.02	7,170	1.03	18,169	1.15	23,207	0.68	60,224	0.67
Telephone & Other Communications	2,159	1.57	3,975	1.19	6,032	0.86	12,518	0.79	25,925	0.76	67,463	0.75
Automobile & Truck Expense	2,665	1.94	5,532	1.66	8,877	1.27	24,886	1.58	59,149	1.72	148,413	1.65
Insurance	7,092	5.16	15,464	4.65	30,540	4.38	64,397	4.09	113,211	3.30	197,273	2.20
Advertising & Promotion	6,778	4.94	10,402	3.13	19,559	2.80	32,739	2.08	59,853	1.74	112,214	1.25
Other Taxes	1,354	0.99	3,908	1.17	7,545	1.08	18,519	1.18	48,946	1.43	72,311	0.80
Interest	6,888	5.02	12,439	3.74	22,189	3.18	36,347	2.31	108,571	3.16	237,139	2.64
Franchise Fees	845	0.62	1,170	0.35	831	0.12	803	0.05	5,722	0.17	0	0.00
Depreciation, Non-Rental Equipment	2,990	2.18	7,044	2.12	17,130	2.46	24,342	1.55	52,703	1.54	114,330	1.27
Other Operating Expenses	4,117	3.00	6,070	1.82	9,303	1.33	22,788	1.45	69,332	2.02	203,827	2.27
TOTAL OPERATING EXPENSES	104,196	75.87	242,159	72.79	488,878	70.09	1,034,553	65.68	2,144,070	62.45	4,306,965	47.94
Operating Profit Before Rental Depr.	17,336	12.62	52,625	15.82	107,320	15.38	254,257	16.14	559,839	16.31	1,266,579	14.10
Depreciation on Rental Equipment	15,700	11.43	34,124	10.26	74,556	10.69	170,525	10.83	383,480	11.17	679,751	7.57
OPERATING PROFIT	1,635	1.19	18,501	5.56	32,764	4.70	83,731	5.32	176,359	5.14	586,828	6.53
Other Income & Expense (Net)	1,129	0.82	2,689	0.81	10,075	1.44	15,974	1.01	33,114	0.96	33,258	0.37
NET INCOME BEFORE INCOME TAXES	2,764	2.01	21,190	6.37	42,839	6.14	99,705	6.33	209,473	6.10	620,086	6.90

Note: Due to rounding, percentages in this and other tables may not add to the one-hundredth of a percent.

TABLE II-2. AVERAGE BALANCE SHEETS BY ANNUAL REVENUE, 1986

	$200,001—$500,000		$1 Mill.—2.5 Mill.		Over $5 Mill.	
	Dollars	Percents	Dollars	Percents	Dollars	Percents
CURRENT ASSETS:						
Cash	21,920	9.15	93,349	8.62	210,614	3.30
Accounts Receivable (Net)	19,112	7.98	155,379	14.34	1,213,432	19.02
Merchandise Inventories	17,521	7.31	92,953	8.58	1,398,064	21.91
Marketable Securities	3,612	1.51	26,657	2.46	5,001	0.08
Prepaid Expenses	3,589	1.50	18,853	1.74	74,568	1.17
Supplies Inventory	747	0.31	5,845	0.54	31,005	0.49
Other Current Assets	1,347	0.56	8,828	0.81	64,979	1.02
Total Current Assets	67,849	28.32	401,865	37.09	2,997,661	46.98
Rental Equipment—Net Book Value	107,718	44.96	545,184	50.32	2,443,131	38.29
Other Fixed Assets—Net Book Value	49,759	20.77	108,498	10.01	775,534	12.15
Total Fixed Assets	157,477	65.72	653,682	60.34	3,218,666	50.44
Other Assets	14,276	5.96	27,865	2.57	164,981	2.59
TOTAL ASSETS	239,601	100.00	1,083,412	100.00	6,381,309	100.00
CURRENT LIABILITIES:						
Accounts Payable	9,399	3.92	73,954	6.83	639,373	10.02
Current Notes Payable	29,461	12.30	108,807	10.04	1,197,961	18.77
Contracts Payable	3,838	1.60	27,975	2.58	207,983	3.26
Customers' Rental Deposits	917	0.38	2,536	0.23	16,022	0.25
Accrued Expenses	2,328	0.97	27,711	2.56	139,453	2.19
Taxes Payable	3,752	1.57	17,196	1.59	100,756	1.58
Other Current Liabilities	624	0.26	9,698	0.90	124,305	1.95
Total Current Liabilities	50,318	21.00	267,878	24.73	2,425,853	38.01
Long-Term Debt	79,436	33.15	221,846	20.48	1,163,180	18.23
Other Liabilities	10,214	4.26	25,595	2.36	200,079	3.14
Total Liabilities	139,967	58.42	515,319	47.56	3,789,112	59.38
Net Worth	99,634	41.58	568,093	52.44	2,592,197	40.62
TOTAL LIABILITIES & NET WORTH	239,601	100.00	1,083,412	100.00	6,381,309	100.00

Note: Due to rounding, percentages in this and other tables may not add to the one-hundredth of a percent.

TABLE II-3. FINANCIAL RATIOS BY REVENUE CATEGORY, 1984-1986

Financial Ratio	$000—$200,000			$200,001—500,000			$500,001—1 Mill.			$1 Mill.—2.5 Mill.			$2.5 Mill.—5 Mill.			Over $5 Mill.		
	1986	1985	1984	1986	1985	1984	1986	1985	1984	1986	1985	1984	1986	1985	1984	1986	1985	1984
Current Ratio	1.11	1.07	1.20	1.35	1.39	1.38	1.81	1.40	1.60	1.50	1.42	1.36	1.22	1.37	1.51	1.24	1.29	1.39
Acid Test Ratio	.79	.53	.62	.88	.86	.82	1.12	.79	.94	1.03	.90	.86	.65	.73	1.02	.59	.74	.86
Debt to Net Worth Ratio	2.44	3.29	1.81	1.40	1.23	1.27	1.01	1.13	.98	.91	.97	.88	1.39	1.02	1.04	1.44	1.38	1.51
Return on Investment (expressed	7.6	10.5	13.2	21.2	22.9	25.9	17.8	20.1	24.5	17.6	18.4	23.1	18.5	14.6	23.1	23.0	25.7	28.5
Return on Total Assets (in	2.2	2.4	4.7	8.8	10.3	11.4	8.5	9.4	12.4	9.2	9.3	12.3	7.0	7.3	11.3	9.7	10.8	11.3
Return on Revenues (percentages)	2.0	2.1	4.6	6.4	7.5	8.4	5.1	6.8	8.3	6.3	6.5	8.9	6.7	5.2	11.2	6.3	7.2	7.5
Average Collection Period (Days)	22	14	23	21	21	23	27	26	26	38	36	31	36	34	47	49	50	51
Profits on Rental Investment (expressed in percent)	4.2	4.7	9.9	19.7	20.9	24.1	19.1	19.8	25.1	18.4	18.4	23.7	14.8	14.9	24.6	25.4	25.8	31.0
Total Revenues to Rental Investment	2.1	2.2	2.2	3.1	2.8	2.9	3.1	2.9	3.0	2.6	2.8	2.7	2.4	2.9	3.1	3.7	3.6	4.1
Rental Revenues to Rental Investment	1.7	1.8	1.7	2.4	2.2	2.2	2.3	2.1	2.1	2.0	1.9	2.0	1.6	1.6	1.8	1.8	2.0	2.3
Rental Revenues to Equipment Cost	.9	.8	.9	.8	.9	.9	.8	.9	.9	.9	.8	.8	.6	.7	.8	.8	.9	1.0
PERCENTS OF GROSS OPERATING PROFIT:																		
Salaries & Wages	27.8	29.4	29.9	31.8	31.5	32.0	35.6	34.9	32.7	34.4	33.6	33.1	31.9	30.8	30.9	32.5	32.2	34.2
Employee Benefits	3.2	3.8	3.1	4.8	4.2	4.0	4.1	4.9	4.6	5.8	5.2	4.4	6.1	4.8	5.1	4.5	4.4	4.7
Total	31.0	33.2	33.0	36.3	35.7	36.0	39.7	39.8	37.3	40.2	38.8	37.5	38.0	35.6	36.0	37.0	36.6	38.9
Depreciation (All)	15.4	16.3	13.8	14.6	14.8	14.4	15.4	14.5	14.7	15.1	15.6	15.0	16.1	16.5	16.0	14.2	15.0	11.6
Occupancy Cost	11.4	11.1	10.4	8.3	8.2	8.1	7.6	7.1	6.8	6.6	6.0	6.3	5.7	5.4	5.7	6.1	5.5	7.0
Equipment Maintenance & Repair	6.1	7.3	7.8	6.8	7.2	7.7	6.7	7.3	7.6	7.2	8.0	9.1	8.0	8.9	8.1	8.2	8.5	8.6
Interest	5.7	4.3	5.7	4.2	4.0	4.4	3.6	3.5	3.7	2.9	3.5	3.5	4.0	3.8	3.8	4.0	4.1	3.9
Advertising & Promotion	5.6	3.8	3.8	3.4	3.5	3.1	3.3	3.1	3.0	2.6	2.4	2.5	2.2	2.0	2.1	2.0	1.8	2.2
Insurance	5.6	4.9	3.3	5.2	4.1	3.0	5.1	3.7	3.0	5.0	3.6	3.0	4.3	2.5	2.0	3.6	2.6	2.2
Shop Supplies & Expense	3.6	3.8	3.6	4.6	4.2	3.1	3.4	3.6	3.2	3.3	3.9	3.1	3.0	5.2	2.8	2.9	2.8	2.2
OPERATING PROFIT	1.3	2.4	4.3	6.3	7.5	9.3	5.5	7.3	9.8	6.8	6.9	9.5	6.8	6.1	11.0	10.5	10.5	10.9

SECTION III. FINANCIAL DATA RELATED TO SOURCE OF REVENUES

The table below compares key financial ratios for firms deriving most of their revenues from rentals vs. those recording significant sales.

Tables III-1 and III-2 contain income and expense and balance sheet data for rental firms in the two categories. Tables III-3 through III-6 present similar data by size of firm in these two groups.

Financial Ratio	Over 70 Percent Revenue From Rentals 1986	1985	1984	1983	69 Percent Or Less Revenue From Rentals 1986	1985	1984	1983
Current Ratio	1.46	1.31	1.44	1.48	1.26	1.39	1.42	1.34
Acid Test Ratio	1.07	.93	1.04	1.08	.56	.64	.71	.64
Debt to Net Worth Ratio	.87	.89	.95	.85	1.98	1.77	1.52	1.62
Return on Investment	20.3%	20.2%	24.7%	18.4%	19.3%	20.2%	23.9%	16.0%
Return on Total Assets	10.9%	10.7%	12.6%	10.0%	6.5%	7.3%	9.5%	6.1%
Return on Revenues	8.4%	8.4%	9.8%	7.8%	4.3%	4.3%	5.7%	3.7%
Average Collection Period (Days)	36	36	35	33	42	37	40	38
Profits on Rental Investment	20.3%	19.7%	24.1%	20.0%	18.4%	20.0%	27.8%	17.0%
Total Revenues to Rental Investment (Times)	2.4	2.3	2.4	2.6	4.3	4.6	4.9	4.6
Rental Revenues to Rental Investment (Times)	2.0	2.0	2.0	2.1	1.7	1.8	2.1	2.0
Rental Revenues to Equipment Cost (Times)	.91	.86	.88	.83	.83	.77	.88	.82
PERCENTS OF GROSS OPERATING PROFIT:								
Salaries & Wages	31.6	31.6	31.0	33.0	35.8	34.4	36.0	35.7
Employee Benefits	5.2	4.7	4.3	4.5	5.2	4.8	4.9	4.6
Total	36.8	36.3	35.3	37.5	41.0	39.2	40.9	40.3
Depreciation (All)	15.5	16.4	15.3	16.0	14.0	13.4	12.3	13.4
Occupancy Cost	7.1	6.6	7.2	7.0	5.9	5.7	6.0	6.1
Equipment Maintenance & Repair	7.9	8.8	9.1	8.5	5.5	6.9	6.7	6.8
Interest	3.2	3.4	3.5	3.6	4.8	4.5	4.7	5.2
Advertising & Promotion	2.6	2.4	2.5	2.7	2.6	2.4	2.8	2.8
Insurance	4.6	3.1	2.7	3.0	4.2	3.4	2.6	2.4
Shop Supplies & Expense	3.4	4.1	3.1	2.7	2.3	3.4	2.5	3.5
OPERATING PROFIT	8.1	8.5	10.5	7.9	6.4	6.5	8.8	4.8
NUMBER OF RESPONDENTS	306	359	260	270	153	154	116	93

TABLE III-1. INCOME AND EXPENSE BY SOURCE OF REVENUE, 1986

	REVENUE FROM RENTALS		
	Over 70 Percent	Under 70 Percent	Insert Your Own Percents
	Percents	Percents	Here
Rental Income	83.89	39.99	_____
Merchandise & Equipment Sales	11.68	53.81	_____
Other Operating Income	4.44	6.20	_____
Total Operating Income	100.00	100.00	_____
Less Cost of Sales	8.50	42.13	_____
Gross Operating Profit	91.50	57.87	_____
OPERATING EXPENSES:			
Salaries & Wages	28.90	20.72	_____
Employee Benefits & Taxes	4.74	3.00	_____
Equipment Maintenance & Repair	7.26	3.17	_____
Shop Supplies & Expense	3.14	1.35	_____
Occupancy Cost	6.51	3.44	_____
Bad Debts Expense	1.11	0.67	_____
Office Supplies & Expenses	1.10	0.82	_____
Associations & Travel Expense	0.60	0.65	_____
Legal & Accounting	0.95	0.79	_____
Telephone & Other Communications	0.84	0.80	_____
Automobile & Truck Expense	1.85	1.34	_____
Insurance	4.25	2.42	_____
Advertising & Promotion	2.35	1.49	_____
Other Taxes	1.33	0.79	_____
Interest	2.86	2.77	_____
Franchise Fees	0.11	0.07	_____
Depreciation, Non-Rental Equipment	1.79	1.42	_____
Other Operating Expenses	1.95	1.79	_____
TOTAL OPERATING EXPENSES	71.67	47.51	_____
Operating Profit Before Rental Depr.	19.83	10.36	_____
Depreciation on Rental Equipment	12.42	6.67	_____
OPERATING PROFIT	7.41	3.69	_____
Other Income & Expense (Net)	1.01	0.59	_____
NET INCOME BEFORE INCOME TAXES	8.42	4.28	_____
NUMBER OF RESPONDENTS	305	153	

TABLE III-2. BALANCE SHEETS BY SOURCE OF REVENUE, 1986

	REVENUE FROM RENTALS		
	Over 70 Percent Percents	Under 70 Percent Percents	Insert Your Own Percents Here
CURRENT ASSETS:			
Cash	7.60	4.39	
Accounts Receivable (Net)	12.79	17.23	
Merchandise Inventories	3.90	25.37	
Marketable Securities	1.69	0.67	
Prepaid Expenses	1.41	1.25	
Supplies Inventory	0.50	0.35	
Other Current Assets	2.03	1.32	
Total Current Assets	30.09	50.58	
Rental Equipment—Net Book Value	53.50	35.27	
Other Fixed Assets—Net Book Value	13.40	11.10	
Total Fixed Assets	66.90	46.37	
Other Assets	2.93	3.05	
TOTAL ASSETS	100.00	100.00	
CURRENT LIABILITIES:			
Accounts Payable	4.42	11.40	
Current Notes Payable	10.39	19.72	
Contracts Payable	1.42	3.32	
Customers' Rental Deposits	0.33	0.11	
Accrued Expenses	1.70	2.52	
Taxes Payable	1.60	1.22	
Other Current Liabilities	0.72	1.71	
Total Current Liabilities	20.67	39.99	
Long-Term Debt	23.87	22.42	
Other Liabilities	1.86	4.04	
Total Liabilities	46.40	66.45	
Net Worth	53.60	33.55	
TOTAL LIABILITIES & NET WORTH	100.00	100.00	
NUMBER OF RESPONDENTS	306	153	

TABLE III-3. AVERAGE INCOME AND EXPENSE FOR FIRMS DERIVING 70 PERCENT OR MORE OF REVENUES FROM RENTALS, 1986

	$000–$200,000		$200,001—$500,000		$500,001—1 Mill.		$1 Mill.—2.5 Mill.		$2.5 Mill.—5 Mill.		Over $5 Mill.	
	Dollars	Percents	Dollars	Percents	Dollars	Percents	Dollars	Percents	Dollars	Percents	Dollars	Percents
Rental Income	123,531	86.31	283,254	84.23	576,248	83.11	1,301,727	82.12	3,058,997	85.47	7,417,780	85.21
Merchandise & Equipment Sales	13,432	9.39	37,807	11.24	85,949	12.40	204,447	12.90	353,529	9.88	985,803	11.32
Other Operating Income	6,157	4.30	15,238	4.53	31,177	4.50	78,918	4.98	166,407	4.65	301,730	3.47
Total Operating Income	143,119	100.00	336,299	100.00	693,372	100.00	1,585,091	100.00	3,578,932	100.00	8,705,312	100.00
Less Cost of Sales	11,099	7.76	26,026	7.74	53,065	7.65	148,730	9.38	347,233	9.70	654,705	7.52
Gross Operating Profit	132,020	92.24	310,273	92.26	640,307	92.35	1,436,362	90.62	3,231,699	90.30	8,050,607	92.48
OPERATING EXPENSES:												
Salaries & Wages	36,349	25.40	98,519	29.30	221,579	31.96	490,505	30.94	954,036	26.66	2,236,701	25.69
Employee Benefits & Taxes	4,197	2.93	13,799	4.10	30,129	4.35	87,564	5.52	228,637	6.39	277,770	3.19
Equipment Maintenance & Repair	8,587	6.00	21,496	6.39	45,175	6.52	105,571	6.66	274,074	7.66	770,443	8.85
Shop Supplies & Expense	3,946	2.76	13,365	3.97	24,383	3.51	51,580	3.25	107,007	2.99	207,546	2.38
Occupancy Cost	16,682	11.66	26,021	7.74	47,907	6.91	94,056	5.93	187,839	5.25	599,093	6.88
Bad Debts Expense	888	0.62	1,859	0.55	5,184	0.75	15,751	0.99	52,423	1.46	139,976	1.61
Office Supplies & Expenses	2,607	1.82	4,197	1.25	7,969	1.15	20,605	1.30	32,997	0.92	70,530	0.81
Associations & Travel Expense	1,012	0.71	2,983	0.89	4,912	0.71	8,939	0.56	25,625	0.72	26,717	0.31
Legal & Accounting	1,513	1.06	3,609	1.07	6,343	0.91	16,094	1.02	29,324	0.82	81,274	0.93
Telephone & Other Communications	2,043	1.43	4,122	1.23	8,075	0.85	12,332	0.78	27,237	0.76	61,860	0.71
Automobile & Truck Expense	2,725	1.90	5,625	1.67	10,244	1.48	27,746	1.75	63,410	1.77	210,091	2.41
Insurance	7,250	5.07	16,442	4.89	34,433	4.97	74,110	4.68	147,769	4.13	247,751	2.85
Advertising & Promotion	7,389	5.16	10,744	3.19	19,914	2.87	35,254	2.22	69,324	1.94	154,586	1.78
Other Taxes	1,262	0.88	4,114	1.22	8,380	1.21	20,357	1.28	69,787	1.95	96,113	1.10
Interest	8,497	5.94	11,803	3.51	22,914	3.31	41,142	2.60	110,325	3.08	194,059	2.23
Franchise Fees	1,080	0.75	1,410	0.42	1,115	0.16	859	0.05	743	0.02	0	0.00
Depreciation, Non-Rental Equipment	2,594	1.81	7,253	2.16	17,[illegible]	[illegible]	25,802	1.63	55,307	1.55	130,366	1.50
Other Operating Expenses	4,855	3.39	5,254	1.56	10,600	1.53	28,538	1.80	60,608	1.69	239,590	2.75
TOTAL OPERATING EXPENSES	113,476	79.29	252,614	75.12	524,368	75.63	1,156,805	72.98	2,496,440	69.75	5,744,465	65.99
Operating Profit Before Rental Depr.	18,544	12.96	57,659	17.15	115,941	16.72	279,556	17.64	735,259	20.54	2,306,142	26.49
Depreciation on Rental Equipment	16,347	12.82	36,347	10.81	87,000	12.55	197,680	12.47	482,111	13.47	1,072,503	12.32
OPERATING PROFIT	197	0.14	21,312	6.34	28,940	4.17	81,876	5.17	253,148	7.07	1,233,640	14.17
Other Income & Expense (Net)	967	0.68	1,628	0.48	13,780	1.99	20,373	1.29	31,672	0.88	30,199	0.35
NET INCOME BEFORE INCOME TAXES	1,164	0.81	22,939	6.82	42,720	6.16	102,249	6.45	284,820	7.96	1,263,839	14.52

Note: Due to rounding, percentages in this and other tables may not add to the one-hundredth of a percent.

TABLE III-4. AVERAGE BALANCE SHEETS FOR FIRMS DERIVING 70 PERCENT OR MORE OF REVENUES FROM RENTALS, 1986

	$000—$200,000		$200,001—$500,000		$500,001—$1 Mill.		$1 Mill.—2.5 Mill.		$2.5 Mill.—5 Mill.		Over $5 Million	
	Dollars	Percents	Dollars	Percents	Dollars	Percents	Dollars	Percents	Dollars	Percents	Dollars	Percents
CURRENT ASSETS:												
Cash	7,256	6.04	23,989	10.07	57,446	11.26	109,348	9.39	162,043	5.08	296,770	4.32
Accounts Receivable (Net)	8,049	6.70	17,671	7.42	45,126	8.84	149,169	12.81	441,747	13.86	1,213,368	17.66
Merchandise Inventories	4,987	4.15	12,976	5.45	21,454	4.20	43,229	3.71	137,731	4.32	218,084	3.17
Marketable Securities	3,384	2.82	4,831	2.03	13,739	2.69	35,789	3.07	17,140	0.54	1,194	0.02
Prepaid Expenses	574	0.48	3,909	1.64	10,043	1.97	24,660	2.12	24,741	0.78	46,834	0.68
Supplies Inventory	154	0.13	779	0.33	1,693	0.33	6,219	0.53	11,169	0.35	56,402	0.82
Other Current Assets	231	0.19	1,140	0.48	10,266	2.01	9,665	0.83	202,497	6.35	45,986	0.67
Total Current Assets	24,633	20.52	65,294	27.41	159,769	31.30	378,080	32.47	997,068	31.28	1,878,638	27.34
Rental Equipment—Net Book Value	75,333	62.75	113,173	47.50	259,492	50.84	629,781	54.09	1,877,273	58.90	3,611,461	52.56
Other Fixed Assets—Net Book Value	17,861	14.88	49,918	20.95	79,728	15.62	132,403	11.37	246,824	7.74	1,058,438	15.40
Total Fixed Assets	93,194	77.63	163,092	68.45	339,220	66.46	762,184	65.46	2,124,097	66.64	4,669,899	67.96
Other Assets	2,223	1.85	9,867	4.14	11,387	2.23	24,110	2.07	66,057	2.07	323,032	4.70
TOTAL ASSETS	120,051	100.00	238,253	100.00	510,377	100.00	1,164,373	100.00	3,187,222	100.00	6,871,569	100.00
CURRENT LIABILITIES:												
Accounts Payable	5,606	4.67	6,391	2.68	16,975	3.33	54,422	4.67	189,944	5.96	300,604	4.37
Current Notes Payable	26,178	21.81	28,402	11.92	58,422	11.45	99,915	8.58	415,008	13.02	546,230	7.95
Contracts Payable	3,730	3.11	4,213	1.77	2,073	0.41	35,998	3.09	37,397	1.17	0	0.00
Customers' Rental Deposits	393	0.33	876	0.37	1,055	0.21	3,224	0.28	5,121	0.16	41,112	0.60
Accrued Expenses	464	0.39	2,325	0.98	4,352	0.86	24,581	2.11	92,635	2.91	82,610	1.20
Taxes Payable	1,423	1.19	3,709	1.56	6,372	1.25	17,506	1.50	37,142	1.17	189,271	2.75
Other Current Liabilities	11	0.01	743	0.31	244	0.06	6,822	0.59	49,382	1.56	60,156	0.88
Total Current Liabilities	37,805	31.49	46,660	19.58	89,492	17.53	242,468	20.82	826,629	25.94	1,219,982	17.75
Long-Term Debt	56,321	46.91	73,411	30.81	127,244	24.93	257,299	22.10	860,166	26.99	1,193,864	17.37
Other Liabilities	5,928	4.94	7,285	3.06	10,462	2.05	15,938	1.37	22,950	0.72	172,120	2.50
Total Liabilities	100,054	83.34	127,356	53.45	227,198	44.52	515,705	44.29	1,709,745	53.64	2,585,965	37.63
Net Worth	19,996	16.66	110,897	46.55	283,178	55.48	648,668	55.71	1,477,477	46.36	4,285,603	62.37
TOTAL LIABILITIES & NET WORTH	120,051	100.00	238,253	100.00	510,377	100.00	1,164,373	100.00	3,187,222	100.00	6,871,569	100.00

Note: Due to rounding, percentages in this and other tables may not add to the one-hundredth of a percent.

TABLE III-5. AVERAGE INCOME AND EXPENSE FOR FIRMS DERIVING 69 PERCENT OR LESS OF REVENUES FROM RENTALS, 1986

	$000--$200,000		$200,001—$500,000		$500,001—$1 Mill.		$1 Mill.—2.5 Mill.		$2.5 Mill.—$5 Mill.		Over $5 Million	
	Dollars	Percents	Dollars	Percents	Dollars	Percents	Dollars	Percents	Dollars	Percents	Dollars	Percents
Rental Income	68,895	56.78	190,667	59.19	367,895	52.00	804,244	51.55	1,347,175	41.11	2,844,985	31.19
Merchandise & Equipment Sales	47,220	38.92	102,302	31.76	296,749	41.96	654,587	41.96	1,590,584	48.53	5,860,237	64.24
Other Operating Income	5,222	4.30	29,154	9.05	42,717	6.04	101,243	6.49	339,434	10.36	417,565	4.58
Total Operating Income	121,337	100.00	322,123	100.00	707,160	100.00	1,560,074	100.00	3,277,193	100.00	9,122,787	100.00
Less Cost of Sales	28,850	23.78	72,611	22.54	211,211	29.87	496,475	31.82	1,138,775	34.75	4,787,776	52.48
Gross Operating Profit	92,486	76.22	249,511	77.46	495,949	70.13	1,063,599	68.18	2,138,418	65.25	4,335,011	47.52
OPERATING EXPENSES:												
Salaries & Wages	26,638	21.96	80,029	24.84	179,003	25.31	371,729	23.83	766,846	23.40	1,597,499	17.51
Employee Benefits & Taxes	2,962	2.44	11,702	3.63	23,514	3.33	58,573	3.75	99,482	3.04	236,291	2.59
Equipment Maintenance & Repair	4,359	3.59	17,162	5.33	27,137	3.84	73,420	4.71	151,913	4.64	162,344	1.78
Shop Supplies and Expense	5,562	4.58	7,549	2.34	11,012	1.56	27,544	1.77	51,596	1.57	87,765	0.96
Occupancy Cost	6,092	5.02	19,887	6.17	39,931	5.65	69,774	4.47	118,499	3.62	214,535	2.35
Bad Debt Expense	100	0.08	1,525	0.47	3,518	0.50	10,402	0.67	31,042	0.95	57,480	0.63
Office Supplies & Expense	2,200	1.81	4,172	1.30	7,223	1.02	13,096	0.84	29,773	0.91	63,679	0.70
Associations & Travel Expense	1,719	1.42	2,985	0.93	5,892	0.83	8,712	0.56	22,745	0.69	56,674	0.62
Legal & Accounting	1,749	1.44	2,814	0.87	9,048	1.28	21,335	1.37	16,654	0.51	49,699	0.54
Telephone & Other Communications	2,480	2.04	3,547	1.10	5,935	0.84	12,801	0.82	24,518	0.75	70,264	0.77
Automobile & Truck Expense	2,499	2.06	5,258	1.63	5,770	0.82	20,519	1.32	54,584	1.67	117,573	1.29
Insurance	6,654	5.48	12,605	3.91	21,693	3.07	49,571	3.18	76,185	2.32	172,034	1.89
Advertising & Promotion	5,086	4.19	9,403	2.92	18,753	2.65	28,900	1.85	49,705	1.52	91,028	1.00
Other Taxes	1,609	1.33	3,306	1.03	5,647	0.80	15,713	1.01	26,649	0.81	60,410	0.66
Interest	2,434	2.01	14,297	4.44	20,426	2.89	29,029	1.86	108,692	3.26	258,679	2.84
Franchise Fees	193	0.16	469	0.15	186	0.03	717	0.05	11,056	0.34	0	0.00
Depreciation, Non-Rental Equipment	4,088	3.37	6,435	2.00	17,179	2.43	22,113	1.42	49,912	1.52	106,312	1.17
Other Operating Expenses	2,074	1.71	8,455	2.62	6,358	0.90	14,011	0.90	78,679	2.40	185,946	2.04
TOTAL OPERATING EXPENSES	78,497	64.69	211,600	65.69	408,222	57.73	847,957	54.35	1,766,530	53.90	3,588,214	39.33
Operating Profit Before Rental Depr.	13,989	11.53	37,912	11.77	87,727	12.41	215,641	13.82	371,889	11.35	746,797	8.19
Depreciation on Rental Equipment	8,370	6.90	27,625	8.58	46,273	6.54	129,078	8.27	277,803	8.48	483,375	5.30
OPERATING PROFIT	5,619	4.63	10,287	3.19	41,453	5.86	86,563	5.55	94,085	2.87	263,422	2.89
Other Income & Expense (Net)	1,577	1.30	5,791	1.80	1,655	0.23	9,259	0.59	34,659	1.06	34,787	0.38
NET INCOME BEFORE INCOME TAXES	7,196	5.93	16,078	4.99	43,108	6.10	95,823	6.14	128,744	3.93	298,209	3.27

Note: Due to rounding, percentages in this and other tables may not add to the one-hundredth of a percent.

TABLE III-6. AVERAGE BALANCE SHEETS FOR FIRMS DERIVING 69 PERCENT OR LESS OF REVENUES FROM RENTALS, 1986

	$000—$200,000		$200,001—$500,000		$500,001—$1 Mill.		$1 Mill.—2.5 Mill.		$2.5 Mill.—$5 Mill.		Over $5 Million	
	Dollars	Percents	Dollars	Percents	Dollars	Percents	Dollars	Percents	Dollars	Percents	Dollars	Percents
CURRENT ASSETS:												
Cash	39,181	27.66	15,872	6.52	23,032	5.25	68,930	7.18	84,999	3.93	167,536	2.73
Accounts Receivable (Net)	8,743	6.17	23,326	9.58	66,802	15.24	164,858	17.18	282,333	13.07	1,213,463	19.78
Merchandise Inventories	17,391	12.70	30,805	12.65	105,663	24.10	168,848	17.59	373,847	17.30	1,988,054	32.40
Marketable Securities	0	0.00	51	0.02	4,64	1.06	12,719	1.33	37,166	1.72	6,904	0.11
Prepaid Expenses	1,242	0.88	2,656	1.09	3,807	0.87	9,991	1.04	24,915	1.15	88,434	1.44
Supplies Inventory	115	0.08	653	0.27	2,655	0.61	5,275	0.55	3,771	0.17	18,306	0.30
Other Current Assets	10,563	7.46	1,952	0.80	5,861	1.34	7,549	0.79	45,543	2.11	74,475	1.21
Total Current Assets	77,836	54.94	75,314	30.92	212,462	48.47	438,169	45.65	852,574	39.46	3,557,173	57.97
Rental Equipment—Net Book Value	37,031	26.14	91,770	37.68	143,487	32.73	416,061	43.35	923,037	42.72	1,858,967	30.30
Other Fixed Assets—Net Book Value	25,824	18.23	49,294	20.24	69,973	15.96	72,013	7.50	265,005	12.27	634,082	10.33
Total Fixed Assets	62,855	44.37	141,064	57.92	213,461	48.70	488,074	50.85	1,188,042	54.99	2,493,049	40.63
Other Assets	974	0.69	27,164	11.15	12,435	2.84	33,596	3.50	120,000	5.55	85,956	1.40
TOTAL ASSETS	141,665	100.00	243,542	100.00	438,357	100.00	959,839	100.00	2,160,616	100.00	6,136,179	100.00
CURRENT LIABILITIES:												
Accounts Payable	12,851	9.07	18,189	7.47	43,357	9.89	103,767	10.81	181,859	8.42	808,757	13.18
Current Notes Payable	7,227	5.10	32,555	13.37	39,175	8.94	122,379	12.75	422,381	19.55	1,523,827	24.83
Contracts Payable	3,668	2.59	2,741	1.13	12,576	2.87	15,728	1.64	12,068	0.56	311,975	5.08
Customers' Rental Deposits	68	0.05	1,038	0.43	1,033	0.24	1,487	0.15	1,567	0.07	3,477	0.06
Accrued Expenses	738	0.52	2,337	0.96	10,436	2.38	32,489	3.38	30,883	1.43	167,875	2.74
Taxes Payable	1,973	1.39	3,877	1.59	9,402	2.14	16,723	1.74	20,953	0.97	56,498	0.92
Other Current Liabilities	0	0.00	273	0.11	866	0.20	14,088	1.47	13,713	0.63	156,380	2.55
Total Current Liabilities	26,523	18.72	61,010	25.05	116,844	26.65	306,661	31.95	683,424	31.63	3,028,789	49.36
Long-Term Debt	32,766	23.13	97,046	39.85	150,240	34.28	167,733	17.48	632,115	29.26	1,147,838	18.71
Other Liabilities	0	0.00	18,774	7.71	26,522	6.05	40,335	4.20	81,432	3.77	214,058	3.49
Total Liabilities	59,291	41.85	176,831	72.61	293,615	66.98	514,729	53.63	1,396,970	64.66	4,390,685	71.55
Net Worth	82,374	58.15	66,711	27.39	144,742	33.02	445,110	46.37	763,645	35.34	1,745,494	28.45
TOTAL LIABILITIES & NET WORTH	141,665	100.00	243,542	100.00	438,357	100.00	959,839	100.00	2,160,616	100.00	6,136,179	100.00

Note: Due to rounding, percentages in this and other tables may not add to the one-hundredth of a percent.

SECTION IV. FINANCIAL DATA RELATED TO TYPE OF EQUIPMENT RENTED

Responding firms were placed into one of the three major rental categories — construction and industrial, general rental or medical-party—based upon the information shown on the survey forms. Descriptions of each category are shown on the first page of the survey form, reproduced on page 28.

Construction and Industrial Equipment

Profitability continued to decrease for these firms. Return on investment decreased to 20.3 percent in 1986 from 21.4 percent in 1985 and 25.2 percent in 1984. Return on total assets and return on revenues decreased as well.

Average income before taxes for those firms responding was $126,500 in 1986 compared with $124,100 in 1985 and $127,600 in 1984.

Comparisons with the previous year of major expenses as a percentage of gross operating profit show the largest increases in labor costs (.8 percent), occupany cost (.7 percent) and insurance (1.3 percent). Largest decreases were in equipment maintenance and repair (1.3 percent) and shop supplies and expense (.8 percent).

Net worth of these firms decreased to 44.9 percent of total assets in 1986 from 46.8 percent in 1985. Current ratios decreased from 1.41 to one in 1985 to 1.34 to one in 1986. The ratio of rental revenues to equipment cost (before depreciation) increased from .80 times in 1985 to .85 times in 1986. Average collection days of accounts receivable rose two days from 41 days in 1985 to 43 days in 1986. The debt to net worth ratio went to 1.23 to one in 1986 from 1.14 to one in 1985. Merchandise inventories as a percentage of total assets increased to 14.2 percent in 1986 from 11.2 percent in 1985.

Respondents increased from 240 in 1985 to 250 in 1986, the only category to show an increase.

General Rental

Return on investment increased substantially to 18.9 percent in 1986 from 16.3 percent in 1985. Return on total assets went from 7.3 percent in 1985 to 8.3 percent in 1986. Return on revenues also rose. Average net income before taxes per respondent was $33,700 in 1986 compared with $34,700 in 1985 and $49,800 in 1984.

Comparisons with the previous year of major expenses as a percentage of gross operating profit show the largest increases in labor costs (1.1 percent), and insurance (1.4 percent). Major decreases were registered in equipment maintenance and repair (.6 percent) and shop supplies and expense (.8 percent).

Current ratios increased from 1.20 to one in 1985 to 1.27 to one in 1986. The acid test ratio increased from .64 to one in 1985 to .79 to one in 1986. The average collection days of accounts receivable decreased to 24 days in 1986 from 28 days in 1985.

The ratio of rental revenues to rental investment (after depreciation) increased to 2.3 times in 1986 from 2.1 times in 1985, and the ratio of rental revenues to equipment cost went from .89 times in 1985 to .94 times in 1986. Respondents decreased from 237 in 1985 to 177 in 1986.

Medical-Party

Profitability decreased sharply for these respondents in 1986. Return on investment went from 24.9 percent in 1985 to 17.5 percent in 1986. Return on total assets dropped to 7.5 percent in 1986 from 11.3 percent in 1985 and the return on revenues went from 6.7 percent in 1985 to 3.9 percent in 1986.

The ratios of rental revenues to equipment cost and to rental investment (after depreciation) both rose substantially. The ratio of rental revenues to equipment cost was 1.32 times in 1986 compared with 1.07 times in 1985, and the ratio of rental revenues to rental investment was 3.7 times in 1986 and 2.7 times in 1985.

Contributing to the decrease in profitability were large increases in two major expenses as a percentage of gross operating profit: labor costs rose to 46.8 percent in 1986, an increase of 3.9 percent over 1985, and insurance expense rose .9 percent for the year.

The current ratio increased from 1.46 in 1985 to 1.61 in 1986. The ratio of debt (total liabilities) to net

worth rose from 1.19 in 1985 to 1.33 in 1986. Net worth of these firms decreased to 42.9 percent of total assets in 1986 from 45.6 percent in 1985. Merchandise inventories as a percentage of total assets increased to 13 percent in 1986 from 8.2 percent in 1985.

Table IV-1 shows percentages of income and expenses as a percent of total income, and Table IV-2 shows percentages of balance sheet items as a percent of total assets. Table IV-3 contains key financial ratios for the years 1983-1986 for firms in all three categories.

TABLE IV-1. INCOME AND EXPENSE BY TYPE OF EQUIPMENT RENTED, 1986

	Construction & Industrial Percents	General Rental Percents	Medical-Party Percents	Insert Your Own Percents Here
Rental Income	60.21	73.19	66.93	
Merchandise & Equipment Sales	34.68	20.53	28.77	
Other Operating Income	5.11	6.29	4.31	
Total Operating Income	100.00	100.00	100.00	
Less Cost of Sales	27.50	13.33	19.27	
Gross Operating Profit	72.50	86.67	80.73	
OPERATING EXPENSES:				
Salaries & Wages	23.58	29.37	32.78	
Employee Benefits & Taxes	3.78	4.19	4.97	
Equipment Maintenance & Repair	5.27	5.99	2.57	
Shop Supplies & Expense	2.11	2.93	2.75	
Occupancy Cost	4.51	7.04	6.49	
Bad Debts Expense	0.97	0.69	0.42	
Office Supplies & Expenses	0.91	1.18	1.09	
Associations & Travel Expense	0.61	0.69	0.68	
Legal & Accounting	0.76	1.16	1.84	
Telephone & Other Communications	0.77	1.03	0.89	
Automobile & Truck Expense	1.60	1.39	2.53	
Insurance	3.18	4.29	3.15	
Advertising & Promotion	1.62	3.06	3.21	
Other Taxes	1.06	1.17	0.79	
Interest	2.80	3.14	2.14	
Franchise Fees	0.02	0.35	0.31	
Depreciation, Non-Rental Equipment	1.57	1.74	2.04	
Other Operating Expenses	1.92	1.68	1.73	
TOTAL OPERATING EXPENSES	57.04	71.09	70.39	
Operating Profit Before Rental Depr.	15.46	15.58	10.34	
Depreciation on Rental Equipment	9.57	10.65	6.89	
OPERATING PROFIT	5.89	4.93	3.44	
Other Income & Expense (Net)	0.84	0.77	0.42	
NET INCOME BEFORE INCOME TAXES	6.72	5.70	3.86	
NUMBER OF RESPONDENTS	250	177	32	

TABLE IV-2. BALANCE SHEETS BY TYPE OF EQUIPMENT RENTED, 1986

	Construction & Industrial Percents	General Rental Percents	Medical-Party Percents	Insert Your Own Percents Here
CURRENT ASSETS:				
Cash	5.74	8.20	8.35	_____
Accounts Receivable (Net)	15.96	9.41	11.74	_____
Merchandise Inventories	14.22	9.85	12.95	_____
Marketable Securities	0.89	2.31	4.45	_____
Prepaid Expenses	1.34	1.24	2.11	_____
Supplies Inventory	0.45	0.43	0.06	_____
Other Current Assets	1.93	0.64	2.09	_____
Total Current Assets	40.53	32.09	41.76	_____
Rental Equipment—Net Book Value	45.56	46.87	35.25	_____
Other Fixed Assets—Net Book Value	11.30	16.20	20.30	_____
Total Fixed Assets	56.86	63.08	55.54	_____
Other Assets	2.61	4.83	2.70	_____
TOTAL ASSETS	100.00	100.00	100.00	_____
CURRENT LIABILITIES:				
Accounts Payable	7.87	5.59	8.47	_____
Current Notes Payable	15.11	12.53	9.55	_____
Contracts Payable	2.08	3.24	1.69	_____
Customers' Rental Deposits	0.20	0.33	0.44	_____
Accrued Expenses	2.08	1.83	2.85	_____
Taxes Payable	1.48	1.28	2.39	_____
Other Current Liabilities	1.33	0.43	0.57	_____
Total Current Liabilities	30.16	25.22	25.95	_____
Long-Term Debt	22.29	26.68	29.52	_____
Other Liabilities	2.63	3.98	1.61	_____
Total Liabilities	55.09	55.89	57.08	_____
Net Worth	44.91	44.11	42.92	_____
TOTAL LIABILITIES & NET WORTH	100.00	100.00	100.00	_____
NUMBER OF RESPONDENTS	250	177	32	

Note: Due to rounding, percentages in this and other tables may not add to the one-hundredth of a percent.

TABLE IV—3. FINANCIAL RATIOS BY TYPE OF EQUIPMENT RENTED, 1983-1986

Financial Ratio	Construction & Industrial				General Rentals				Medical-Party			
	1986	1985	1984	1983	1986	1985	1984	1983	1986	1985	1984	1983
Current Ratio	1.34	1.41	1.38	1.40	1.27	1.20	1.53	1.50	1.61	1.46	1.75	1.27
Acid Test Ratio	.75	.84	.88	.90	.79	.64	.91	.93	.95	.91	1.16	.61
Debt to Net Worth Ratio	1.23	1.14	1.23	1.02	1.27	1.24	.96	1.08	1.33	1.19	.70	.85
Return on Investment	20.3%	21.4%	25.2%	16.2%	16.9%	16.3%	23.4%	19.1%	17.5%	24.9%	24.0%	31.8%
Return on Total Assets	9.1%	10.0%	11.3%	8.1%	8.3%	7.3%	11.9%	9.2%	7.5%	11.3%	14.1%	17.2%
Return on Revenues	6.7%	6.9%	8.0%	6.1%	5.7%	5.4%	8.6%	6.5%	3.9%	6.7%	6.9%	8.4%
Average Collection Period (Days)	43	41	43	42	24	28	26	23	22	24	18	22
Profits on Rental Investment	20.0%	21.2%	24.3%	17.6%	17.8%	15.6%	26.3%	20.0%	21.3%	24.9%	27.0%	40.7%
Total Revenues to Rental Investment	3.0	3.1	3.1	2.9	3.1	2.9	3.1	3.1	5.5	3.7	3.9	4.8
Rental Revenues to Rental Investment	1.8	1.8	1.9	1.9	2.3	2.1	2.3	2.4	3.7	2.7	2.9	3.1
Rental Revenues to Equipment Cost	.85	.80	.81	.76	.94	.89	.98	.94	1.32	1.07	1.14	1.11
PERCENTS OF GROSS OPERATING PROFIT:												
Salaries & Wages	32.5	32.1	32.3	33.2	33.9	33.1	32.9	34.2	40.6	37.7	35.5	36.4
Employee Benefits	5.2	4.8	4.7	4.5	4.8	4.5	4.1	4.6	6.2	5.2	4.7	4.3
Total	37.7	36.9	37.0	37.7	38.7	37.6	37.0	38.8	46.8	42.9	40.2	40.7
Depreciation (All)	15.4	15.8	15.3	16.4	14.3	14.6	12.9	13.8	11.1	12.5	11.5	13.3
Occupancy Cost	6.2	5.5	5.8	5.5	8.1	7.8	8.0	8.3	8.0	8.4	12.0	8.0
Equipment Maintenance & Repair	7.3	8.6	8.9	8.6	6.9	7.5	7.6	7.8	3.2	3.1	5.9	4.0
Interest	3.9	3.8	4.1	4.5	3.6	3.9	3.7	3.5	2.6	2.8	1.5	2.5
Advertising & Promotion	2.2	2.0	2.1	2.2	3.5	3.2	3.3	3.5	4.0	3.8	4.2	3.7
Insurance	4.4	3.1	2.4	2.7	5.0	3.6	3.0	3.0	3.9	3.0	2.7	2.4
Shop Supplies & Expense	2.9	3.7	2.8	2.7	3.4	4.2	3.2	3.4	3.4	4.0	1.9	2.0
OPERATING PROFIT	8.1	8.6	10.2	6.8	5.7	5.9	9.8	6.8	4.3	7.2	8.0	10.4
NUMBER OF RESPONDENTS	250	240	146	134	177	237	211	204	32	36	19	25

SECTION V. FINANCIAL DATA RELATED TO REGION

FIGURE V-1. RETURN ON INVESTMENT
IN EACH A.R.A. REGION, 1985 & 1986

Table V-1 contains income and expense data by region, and Table V-2 presents balance sheet information. Key ratios for 1984-1986 for firms in each of the 10 regions are in Table V-3.

REGION 1: Connecticut, Massachusetts, Maine, New Hampshire, New York, Rhode Island, Vermont
REGION 2: Delaware, Maryland, New Jersey, Pennsylvania, Virginia, West Virginia
REGION 3: Alabama, Florida, Georgia, Mississippi, North Carolina, South Carolina, Tennessee
REGION 4: Arkansas, Louisiana, Oklahoma, Texas
REGION 5: Illinois, Indiana, Kentucky, Michigan, Ohio, Wisconsin
REGION 6: Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota
REGION 7: Arizona, Colorado, New Mexico, Utah, Wyoming
REGION 8: Alaska, Idaho, Montana, Oregon, Washington
REGION 9: California, Hawaii, Nevada
REGION 10: Canada

TABLE V-1. INCOME AND EXPENSE BY REGION, 1986

	Northeast R-1 Percents	Eastern R-2 Percents	Southeast R-3 Percents	Southwest R-4 Percents	Great Lakes R-5 Percents	Midwest R-6 Percents	Rocky Mountain R-7 Percents	Northwest R-8 Percents	Pacific R-9 Percents	Canada R-10 Percents
Rental Income	44.77	72.31	62.53	61.01	46.29	62.99	76.56	57.36	77.32	61.81
Merchandise & Equipment Sales	52.48	24.69	33.92	31.42	50.24	27.22	17.23	38.27	16.78	30.91
Other Operating Income	2.75	3.00	3.55	7.57	3.47	9.79	6.21	4.37	5.90	7.28
Total Operating Income	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Less Cost of Sales	44.08	17.88	25.15	26.86	39.29	17.85	12.55	26.14	12.45	24.24
Gross Operating Profit	55.92	82.12	74.85	73.14	60.71	82.15	87.45	73.86	87.55	75.76
OPERATING EXPENSES:										
Salaries & Wages	17.17	23.24	26.17	24.69	20.56	26.19	29.83	26.20	29.88	25.03
Employee Benefits & Taxes	3.36	4.72	3.02	3.55	3.17	3.55	5.19	5.13	5.25	2.42
Equipment Maintenance & Repair	2.88	5.43	6.38	4.43	2.66	5.47	6.61	5.03	7.42	6.11
Shop Supplies & Expense	1.26	3.12	2.76	2.16	1.00	2.36	2.16	2.43	3.39	1.94
Occupancy Cost	3.26	5.78	4.19	5.00	3.85	5.72	6.96	6.02	5.05	5.89
Bad Debts Expense	0.43	0.70	1.30	0.97	0.48	0.56	1.49	1.34	1.00	0.93
Office Supplies & Expenses	0.66	0.74	0.87	1.10	0.90	1.16	0.99	1.06	1.06	1.11
Associations & Travel Expense	0.36	0.65	0.62	0.70	0.76	0.48	0.52	0.78	0.49	0.81
Legal & Accounting	0.82	0.57	0.81	1.10	0.87	1.62	1.26	0.87	0.74	0.77
Telephone & Other Communications	0.57	0.69	0.89	0.91	0.80	1.02	0.76	0.83	0.73	1.07
Automobile & Truck Expense	1.31	1.55	1.49	1.40	1.17	0.85	1.49	0.96	1.73	3.19
Insurance	2.24	3.13	3.22	3.92	2.56	4.27	3.76	4.03	5.41	0.99
Advertising & Promotion	1.66	2.08	1.64	1.90	1.60	2.82	1.92	2.61	1.79	2.28
Other Taxes	0.42	1.35	1.87	1.05	1.13	0.83	1.25	1.05	1.30	0.19
Interest	2.49	3.43	2.72	3.14	2.37	3.07	2.76	2.97	2.46	3.37
Franchise Fees	0.21	0.05	0.09	0.04	0.10	0.56	0.04	0.04	0.05	0.01
Depreciation, Non-Rental Equipment	1.48	1.18	1.98	1.84	1.61	1.11	2.22	2.63	1.48	1.14
Other Operating Expenses	1.00	2.88	0.89	1.34	2.18	1.24	2.85	1.34	1.97	2.34
TOTAL OPERATING EXPENSES	41.39	61.29	60.91	59.22	47.77	62.87	72.13	65.31	71.21	59.58
Operating Profit Before Rental Depr.	14.53	20.83	13.94	13.92	12.94	19.29	15.32	8.55	16.35	16.17
Depreciation on Rental Equipment	7.54	12.87	9.70	12.58	7.34	11.24	11.40	8.52	10.26	6.20
OPERATING PROFIT	6.99	7.96	4.24	1.35	5.60	8.05	3.92	0.03	6.09	9.97
Other Income & Expense (Net)	0.47	.83	0.89	1.64	0.37	0.44	1.31	1.63	0.74	0.27
NET INCOME BEFORE INCOME TAXES	7.46	8.79	5.13	2.99	5.97	8.49	5.23	1.66	6.83	10.24
NUMBER OF RESPONDENTS	40	46	55	39	59	35	40	30	75	40

TABLE V-2. BALANCE SHEETS BY REGION, 1986

	Northeast R-1 Percents	Eastern R-2 Percents	Southeast R-3 Percents	Southwest R-4 Percents	Great Lakes R-5 Percents	Midwest R-6 Percents	Rocky Mountain R-7 Percents	Northwest R-8 Percents	Pacific R-9 Percents	Canada R-10 Percents
CURRENT ASSETS:										
Cash	6.76	8.84	6.20	5.99	3.89	6.85	7.36	9.85	7.55	1.91
Accounts Receivable (Net)	10.13	12.05	15.55	13.44	18.81	9.33	16.56	11.78	13.87	20.34
Merchandise Inventories	34.51	8.03	12.47	14.16	17.62	13.00	7.53	17.74	3.93	15.18
Marketable Securities	2.55	0.28	0.94	0.93	0.66	1.42	1.02	2.33	1.73	1.15
Prepaid Expenses	0.72	1.11	0.92	1.07	1.36	0.74	1.18	1.16	2.35	1.49
Supplies Inventory	0.21	0.18	0.05	0.34	0.56	0.28	0.86	0.40	0.43	0.87
Other Current Assets	1.02	0.27	1.24	0.70	1.36	0.62	1.80	2.08	4.16	1.84
Total Current Assets	55.89	30.76	37.38	36.61	44.46	32.23	36.30	45.34	34.01	42.76
Rental Equipment—Net Book Value	34.55	61.92	49.17	46.56	44.35	46.42	44.55	35.12	52.10	31.06
Other Fixed Assets—Net Book Value	7.43	6.03	12.03	13.28	9.59	11.71	14.11	18.61	10.89	22.29
Total Fixed Assets	41.99	67.95	61.21	59.84	53.94	58.13	58.66	53.73	62.99	53.35
Other Assets	2.12	1.29	1.42	3.55	1.59	9.64	5.03	0.94	2.99	3.88
TOTAL ASSETS	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
CURRENT LIABILITIES:										
Accounts Payable	6.09	6.78	6.32	5.45	12.03	5.36	5.39	7.31	3.99	14.85
Current Notes Payable	39.14	16.17	20.43	12.29	13.16	14.66	13.38	7.55	9.60	7.17
Contracts Payable	0.39	0.03	0.43	3.02	1.75	1.28	1.47	1.07	5.54	3.09
Customers' Rental Deposits	0.09	0.19	0.32	0.52	0.13	0.22	0.20	0.25	0.27	0.05
Accrued Expenses	3.63	2.92	1.59	1.20	1.93	3.25	2.34	1.74	2.17	0.99
Taxes Payable	0.93	2.90	1.10	0.81	1.70	1.60	1.33	0.80	1.18	2.20
Other Current Liabilities	0.91	1.02	0.30	1.56	1.35	0.55	1.50	1.36	0.70	2.11
Total Current Liabilities	51.18	30.01	30.48	24.85	32.03	26.92	25.81	20.09	23.45	30.45
Long-Term Debt	13.24	30.40	18.95	26.21	27.03	16.17	26.16	22.86	18.36	28.57
Other Liabilities	1.96	1.58	2.73	1.69	4.82	6.95	1.01	1.03	2.00	4.91
Total Liabilities	66.38	61.99	52.16	52.76	63.88	50.04	52.78	43.98	43.81	63.93
Net Worth	33.62	38.01	47.84	47.24	36.12	49.96	47.22	56.02	56.19	36.07
TOTAL LIABILITIES & NET WORTH	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
NUMBER OF RESPONDENTS	40	46	55	39	59	35	40	30	75	40

Note: Due to rounding, percentages in this and other tables may not add to the one-hundredth of a percent.

TABLE V-3. FINANCIAL RATIOS BY REGION, 1984-1986

Financial Ratio	Northeast R-1			Eastern R-2			Southeast R-3			Southwest R-4			Great Lakes R-5		
	1986	1985	1984	1986	1985	1984	1986	1985	1984	1986	1985	1984	1986	1985	1984
Current Ratio	1.09	2.02	2.12	1.02	1.35	1.27	1.23	1.38	1.50	1.47	1.17	1.17	1.39	1.31	1.60
Acid Test Ratio	.38	1.15	1.23	.71	.77	.85	.74	.74	.95	.82	.69	.82	.73	.65	.89
Debt to Net Worth Ratio	1.97	.98	.95	1.63	1.48	1.41	1.09	1.27	1.07	1.12	1.01	1.18	1.75	1.33	1.23
Return on Investment	30.3%	22.6%	19.6%	30.9%	28.8%	37.5%	16.4%	22.1%	30.7%	8.2%	14.6%	17.2%	25.7%	22.6%	25.7%
Return on Total Assets	10.2%	11.4%	10.0%	11.8%	11.6%	15.5%	7.8%	9.7%	14.8%	3.9%	7.3%	7.9%	9.3%	9.7%	11.5%
Return on Revenues	7.5%	5.7%	5.4%	8.8%	7.2%	10.2%	5.1%	6.0%	11.0%	3.0%	6.0%	6.5%	6.0%	6.4%	6.3%
Average Collection Period (Days)	27	31	32	33	35	33	37	31	38	38	44	35	44	38	41
Profits on Rental Investment	29.5%	34.0%	30.1%	19.0%	24.6%	31.3%	15.9%	21.6%	31.9%	8.3%	14.4%	14.7%	20.9%	22.2%	33.0%
Total Revenues to Rental Investment	3.9	6.0	5.6	2.2	3.4	3.1	3.1	3.6	2.9	2.8	2.4	2.3	3.5	3.5	5.2
Rental Revenues to Rental Investment	1.8	2.6	2.9	1.6	2.2	2.2	1.9	1.9	1.9	1.7	1.6	1.6	1.6	1.7	2.3
Rental Revenues to Equipment Cost	.87	.99	1.12	.82	.92	.85	.91	.85	.84	.76	.75	.76	.81	.76	.89
PERCENTS OF GROSS OPERATING PROFIT:															
Salaries & Wages	30.7	37.8	36.4	28.3	32.5	30.7	35.0	32.9	30.7	33.8	29.9	30.5	33.9	34.6	34.8
Employee Benefits	6.0	7.3	6.0	5.7	4.9	4.7	4.0	3.9	3.5	4.8	3.7	4.9	5.2	4.9	5.7
Total	36.7	45.1	42.4	34.0	37.4	35.4	39.0	36.8	34.2	38.6	33.6	35.4	39.1	39.5	40.5
Depreciation (All)	16.1	12.2	12.1	17.1	14.6	14.6	15.6	16.4	15.9	19.7	19.1	19.2	14.7	15.9	12.4
Occupancy Cost	5.8	6.7	7.7	7.0	7.4	7.1	5.6	5.7	6.1	6.8	4.8	5.3	6.3	6.2	6.4
Equipment Maintenance & Repair	5.1	4.2	4.8	6.6	6.1	8.1	8.5	9.4	9.2	6.1	8.5	8.0	4.4	5.0	5.3
Interest	4.4	2.0	3.6	4.2	4.1	4.2	3.8	4.0	3.7	4.3	4.4	4.8	3.9	3.4	3.2
Advertising & Promotion	3.0	2.6	3.3	2.5	3.1	3.0	2.2	2.0	2.2	2.6	2.1	2.3	2.6	3.4	2.6
Insurance	4.0	3.8	3.3	3.8	3.0	2.7	4.3	3.7	2.8	5.4	3.4	2.8	4.2	3.2	2.5
Shop Supplies & Expense	2.3	2.6	3.7	3.8	3.8	3.2	3.7	3.2	2.6	3.0	4.3	2.9	1.6	2.5	2.3
OPERATING PROFIT	12.5	9.7	8.8	9.7	8.7	11.5	5.7	7.9	13.0	1.8	7.2	7.1	9.2	9.4	10.6
NUMBER OF RESPONDENTS	40	42	33	46	56	37	55	48	44	39	47	45	59	61	45

TABLE V-3. FINANCIAL RATIOS BY REGION, 1984-1986 (Continued)

Financial Ratio	Midwest R-6			Rocky Mountain R-7			Northwest R-8			Pacific R-9			Canada R-10		
	1986	1985	1984	1986	1985	1984	1986	1985	1984	1986	1985	1984	1986	1985	1984
Current Ratio	1.20	1.27	2.12	1.42	1.27	1.28	2.26	1.72	1.21	1.45	1.50	1.71	1.40	1.18	1.19
Acid Test Ratio	.85	.54	.90	.97	.87	1.00	1.19	1.19	.67	.99	.89	1.10	.77	.70	.69
Debt to Net Worth Ratio	1.00	.93	.70	1.12	1.33	.74	.78	.91	1.37	.78	1.04	.95	1.77	1.86	1.87
Return on Investment	23.2%	14.8%	20.6%	15.5%	22.0%	30.2%	3.8%	7.4%	26.5%	16.5%	21.7%	19.2%	39.4%	33.0%	30.2%
Return on Total Assets	11.6%	7.7%	12.1%	7.3%	9.4%	17.4%	2.1%	3.9%	11.2%	9.3%	10.6%	9.8%	14.2%	11.5%	10.5%
Return on Revenues	8.5%	5.6%	7.8%	5.2%	7.1%	13.3%	1.7%	3.1%	8.2%	6.8%	7.3%	7.0%	10.2%	8.2%	8.1%
Average Collection Period (Days)	25	25	26	43	36	31	34	39	29	37	34	35	53	49	50
Profits on Rental Investment	24.9%	14.6%	26.8%	16.4%	19.9%	34.3%	6.0%	7.1%	19.6%	17.8%	21.7%	19.7%	45.8%	32.1%	32.5%
Total Revenues to Rental Investment	2.9	2.6	3.4	3.1	2.8	2.6	3.6	2.3	2.4	2.6	3.0	2.8	4.5	3.9	4.0
Rental Revenues to Rental Investment	1.9	1.6	1.8	2.4	1.9	2.1	2.1	1.8	1.7	2.0	2.0	2.1	2.8	2.5	2.8
Rental Revenues to Equipment Cost	.87	.74	.83	.92	.95	.93	.78	.66	.81	.92	.87	.86	1.17	.93	1.10
PERCENTS OF GROSS OPERATING PROFIT:															
Salaries & Wages	31.9	33.8	33.2	34.1	31.6	33.5	35.5	31.5	31.5	34.1	32.9	31.9	33.0	32.9	35.3
Employee Benefits	4.3	4.5	3.7	5.9	5.3	4.4	6.9	5.5	4.6	6.0	5.2	4.6	3.2	2.9	3.4
Total	36.2	38.3	36.9	40.0	36.9	37.9	42.4	37.0	36.1	40.1	38.1	36.5	36.2	35.8	38.7
Depreciation (All)	15.0	16.3	13.4	15.6	14.3	16.3	15.1	21.4	17.2	13.4	14.0	14.0	9.7	10.0	8.8
Occupancy Cost	7.0	7.0	7.0	8.0	7.1	5.4	8.1	8.1	8.0	5.8	5.6	6.9	7.8	7.0	9.4
Equipment Maintenance & Repair	6.7	8.1	6.3	7.6	9.5	9.3	6.8	8.7	9.5	8.5	9.7	11.0	8.1	7.3	8.3
Interest	3.7	3.5	3.5	3.2	4.1	2.8	4.0	3.7	4.5	2.8	3.7	3.1	4.4	3.7	4.8
Advertising & Promotion	3.4	3.6	3.8	2.2	1.9	1.8	3.5	2.4	2.5	2.0	2.0	2.2	3.0	2.6	2.9
Insurance	5.2	3.6	3.1	4.3	3.0	2.2	5.5	3.0	2.4	6.2	3.8	3.7	1.3	1.2	1.0
Shop Supplies & Expense	2.9	4.1	2.9	2.5	3.9	3.1	3.3	3.0	3.1	3.9	4.4	2.7	2.6	3.9	3.0
OPERATING PROFIT	8.9	6.2	10.4	4.5	8.3	14.9	0.0	2.1	8.2	7.0	7.8	7.7	13.2	9.1	9.9
NUMBER OF RESPONDENTS	35	45	42	40	49	37	30	38	26	75	89	32	40	38	35

American Rental Association

COST OF DOING BUSINESS SURVEY

FOR CALENDAR YEAR 1986
(Or for the most recent fiscal year)

1. **TOTAL ANNUAL INCOME** (from all parts of your business, including sales). Check appropriate box:

   ☐ $000 to $200,000
   ☐ $200,001 to $500,000
   ☐ $500,001 to $1 million
   ☐ $1 million to $2½ million
   ☐ $2½ million to $5 million
   ☐ Over $5 million

2. **PROPORTION OF INCOME DERIVED FROM:**

   a. Rentals _____%
   b. Sales _____%
   c. Other _____%
   TOTAL 100 %

3. **TYPES OF EQUIPMENT RENTED:**

   It is very important that we be able to properly classify your business. The two parts of this question are intended to aid in classification.

   A. Please indicate the proportion of income from each category:

   (1) **CONSTRUCTION & INDUSTRIAL:** Air compressors/air tools/asphalt/bituminous equipment; compaction, concrete equipment; conveyors, cranes, generators/alternators; engines; pumps/hoses; sand blasting/steam cleaners; scaffolding/shoring equipment; tractors/earth moving equipment; welders; barricades; local/one-way system; trucks, campers, vacation trailers, car top carriers, utility trailers/hook-up accessories. _____%

   (2) **GENERAL RENTAL:** Small hand/electric tools; gasoline powered tools; home-owner equipment; household equipment; small air compressors/air tools; utility trailers/hook-up equipment; baby equipment; rollaway beds; reducing equipment; camping equipment; sports and recreational equipment; automotive, plumbing, painting, electrical tools; lawn/garden equipment; material handling equipment; furniture and office equipment; convention and exhibition equipment; clothes washers/dryers, refrigerators, cameras, audio-visual equipment; television sets; etc. _____%

   (3) **MEDICAL — PARTY:**
   Party Equipment: Tables, chairs, silver, glasses, linens, disposables, bars, rotisseries, costume rentals. _____%
   Medical Equipment: Wheelchairs, hospital beds, whirlpools, commodes, convalescent and sick room equipment of all kinds. _____% _____%

   TOTAL **100 %**

   B. How do you classify your business? Please check only one category:

   1. Construction and Industrial _____
   2. General Rental _____
   3. Medical—Party _____

4. **LOCATION OF BUSINESS:** Identify **State** or **Province** where greatest proportion of income originates:

   _____

5. **NUMBER OF EMPLOYEES:** a. Full time _____ b. Part time _____

6. **AGE OF BUSINESS:** _____ years

7. **YARD AREA** _____ sq. ft.

8. **STORE AREA** _____ sq. ft.

Return To:
Browne, Bortz & Coddington
155 South Madison
Denver, Colorado 80209

EXPLANATIONS FOR INCOME & EXPENSE

ARA CHART OF ACCOUNTS NUMBER	
4100	**RENTAL INCOME** — all income directly related to rentals, including sub-rental commissions (net).
4800	**OTHER OPERATING INCOME** — U-Haul commissions, delivery income, etc.
4370	**COST OF SALES** — Cost (or depreciated book value) of equipment and merchandise sold.
5120	**SALARIES & WAGES** — include owner's salary or proprietor's drawings. *All salaries and wages are to be shown here.*
5130	**EMPLOYEE BENEFITS** — include all payroll taxes (5140), group insurance, etc.
5200	**EQUIPMENT MAINTENANCE & REPAIRS** — do not include depreciation or salaries and wages.
5240	**SHOP SUPPLIES & EXPENSE** — do not include depreciation or salaries and wages.
5300	**OCCUPANCY COST** — include rent; utilities; real estate taxes; building maintenance, repair and supplies; and depreciation of buildings and amortization of leasehold improvements (if any).
5420	**BAD DEBTS EXPENSE** — reserve provision or direct charge-offs.
5440	**ASSOCIATIONS & TRAVEL EXPENSES** — include dues, subscriptions, conference and convention expenses.
5500	**AUTOMOBILE & TRUCK EXPENSE** — do not include depreciation or salaries and wages.
5600	**INSURANCE** — all business insurance, other than employee benefits.
6200	**OTHER TAXES** — other than income, payroll and real estate taxes. Include licenses.

EXPLANATIONS FOR BALANCE SHEET

1240	**MERCHANDISE INVENTORIES** — cost of merchandise and equipment held for resale.
1400	**OTHER FIXED ASSETS** — include land, buildings, leasehold improvements, vehicles, furniture and fixtures, and all equipment not shown at Item 1300 (rental equipment).
2130	**CURRENT NOTES PAYABLE** — notes due within one year and current installments of long-term debt.
2300	**LONG-TERM DEBT** — mortgages, notes and loans payable in more than one year, less current installments (above).
3000	**NET WORTH** — for a corporation — capital stock, paid-in surplus and retained earnings (less treasury stock, if any); for a proprietorship or partnership — capital accounts and current earnings, less drawings.